S. HRG. 101-57

MINIMUM WAGE RESTORATION ACT OF 1989

HEARING

BEFORE THE

COMMITTEE ON LABOR AND HUMAN RESOURCES UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON

S. 4

TO AMEND THE FAIR LABOR STANDARDS ACT OF 1938 TO RESTORE THE MINIMUM WAGE TO A FAIR AND EQUITABLE RATE, AND FOR OTHER PURPOSES

MARCH 3, 1989

Printed for the use of the Committee on Labor and Human Resources

U.S. GOVERNMENT PRINTING OFFICE

97-967 WASHINGTON : 1989

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

S541-27

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MINIMUM WAGE RESTORATION ACT OF 1989

FRIDAY, MARCH 3, 1989

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, DC.

The committee met, pursuant to notice, at 1:07 p.m., in room SD-430, Dirksen Senate Office Building, Senator Edward M. Kennedy (chairman of the committee) presiding.

Present: Senators Kennedy, Metzenbaum, Simon, Harkin, Adams, Mikulski, Hatch, Kassebaum, Jeffords, Thurmond, and Cochran.

OPENING STATEMENT OF SENATOR KENNEDY

The CHAIRMAN. Before we start, it is a pleasure for me to welcome Lois Kniff and Ken Nelson to the committee today. They are producing a film for fifth through eighth graders entitled, "Washington: The Nation's Capital". The final product will be viewed by 15 million students over the next ten years, and I am pleased they have selected our Labor and Human Resources Committee for this project today, where the topic is the minimum wage.

We all applaud your efforts to educate the Nation's young people about the process of Government.

Madam Secretary, we want to welcome you to our committee today, and we look forward to your testimony on the Administration's position on the minimum wage.

Just prior to making a brief opening comment on the minimum wage, I would like to invite any of my colleagues to make whatever brief comments they would like to on the Eastern Airlines situation and the potential of a major disruption in the national transportation system.

Thirty Senators joined myself, Senator Metzenbaum and Senator Mikulski yesterday, urging the President avert this national emergency and the disruption that would follow.

It is my understanding that the President has ample authority at this time to take the steps to avoid that disruption. Before getting into hearing you on the minimum wage, I would like to inquire of you what advice you have given to the President on this issue.

Secretary DOLE. Senator Kennedy, I think you will understand that I really cannot share that advice at this point in time, and of course, the President will be making an announcement as to his decision, and I think we have to wait for the President to speak to that. I am sorry I really am not in a position to discuss it this afternoon.

The CHAIRMAN. I am sure there are probably different views about what steps the President should take. As the Senators who wrote to the President said in their letter, it seems to me that an ounce of prevention is worth a pound of cure. With all the potential risks to the national economy, while, difficult to estimate with a degree of specificity, there may be very serious risks, and the statute itself provides for intervention to avoid these threats to the economy. When we take a look at what previous Administrations, Republicans and Democrat presidents, have done in the past when faced with similar situations, they have taken the steps to put in place an emergency board, and we have avoided the disruption. I would certainly hope that would be the case at the present time.

Let me just ask one other question. Eastern Airlines has indicated that they will continue to fly. I am just wondering what sort of assurances you might be able to give in terms of the safety of the planes themselves when we have, as I understand it, according to Eastern, supervisory personnel involved in the maintenance of those planes. What kind of assurances can you give, or can you give any——

Secretary DOLE. Senator Kennedy, I feel any comments on this right now just are not appropriate until the President has had an opportunity to speak to it. And obviously, looking at the entire situation, you would want to make certain that that particular matter is carefully thought through and covered if indeed there is a major problem; and certainly, Sam Skinner, our new Secretary of Transportation, has given a great deal of thought to it.

But I think it is appropriate at this time to wait and let the President speak to the whole situation, and then the rest of us can speak to whatever is necessary at that time.

The CHAIRMAN. All right. If other Members want to address this issue, then I would like to try and finish up on the Eastern Airlines issue. If no one else wishes to address it, I would hope we could move from that into the hearing.

Senator HATCH. If I could just say one thing, I agree with your statement that it is inappropriate to say anything until the President finally speaks whatever his piece is. I was interested, however, in the editorial in the Washington Post and other newspapers in this country.

What really offends me is that this has been bottled up in the National Mediation Board for an extended period of time without any real results, and now they come in and ask for 60 days' additional time when Eastern is losing $1 million a day, has lost a half billion dollars already, and there is no way that it is going to survive if the Presidential Review Board is granted, in my opinion. That means the loss of 35,000 jobs, and it may have other implications.

This is a very complex matter. So I will be interested in what the President has to say as well, and I am sure he will make the right decision.

Perhaps what we ought to do is let the collective bargaining process work, even though it would be inconvenient and even though it will cause difficulties, even though one side or the other might get the advantage; I do not know. But whenever we are in

doubt on these matters, this system has worked well in the past, and it will work in the future even though sometimes it is disruptive. But it has been proven to be one of the best systems that we can have, certainly with regard to unionized companies.

What I am concerned about is I do not want to see other companies go down just because of the problems with Eastern. And if this is not handled exactly right, we may lose other companies as well—and that means, literally, thousands and thousands of other jobs.

So I think we have to be very considered in whatever is done here, and I will be looking forward to what the President has to say as well.

That is all I want to say, Senator Kennedy.

The CHAIRMAN. Just a brief comment. The fact is that Presidents in the past with similar kinds of situations have moved toward the emergency boards. At the end of that 60-day period, if there has not been an agreement, there has been legislation which has put in effect the recommendations of the board, and we have avoided serious disruption. There will be disruption, and the question I think we will have to ask ourselves is are we going to be back in this committee next week, when we have real kinds of disruptions and the public is demanding some action at a time when we do have, I think, some real fragility in our national economy. We have a difference in view, and the President quite clearly has the responsibility now; we understand that. The ball is really in his court. He can either listen to the good counsel and advice of my worthwhile friend from Utah or from the others here who have a somewhat different viewpoint.

Senator METZENBAUM. Mr. Chairman, I do not want to get into a lengthy discussion on this except to say that I think the national interest would be better served if there were a board appointed. It has been done 34 times in the past, and I think that it will create quite an impact upon the American economy if there is a disruption, if there is a strike.

I just want to add one comment concerning Senator Hatch's remarks, that Eastern Airline is losing $1 million a day. Mr. Lorenzo runs Texas Air, and Texas Air has an even better record: They have lost $1,185,000,000, which is far in excess of $1 million a day, in the last two years, and they run a non-union operation. At the same time, American, United, U.S. Air and Northwest all run union operations, and they have been operating at a very considerable profit.

So I do not think we ought to make the point that—I think the real issue is does Mr. Lorenzo know how to run an airline, and frankly, I doubt that he does, because others are running airlines with union help and making very, very substantial profits.

That is all I have, Mr. Chairman.

Senator HATCH. Well, if I could just add one other comment, because I think this is important.

The CHAIRMAN. A brief one, I hope.

Senator HATCH. It will be very brief. The fact of the matter is that I deal with Continental employees all the time who are very happy. Now, I also agree that union airlines seem to be well-run, too. I am not finding fault among either. But what I have problems

with is an airline that clearly is having a very difficult time—Eastern—that is hemorrhaging, and another delay is just going to cause more hemorrhaging.

This system just has to be allowed to work, and when some newspapers like the Washington Post and the New York Times and others come out and indicate that the system ought to be allowed to work within the system, then maybe it is time for all of us to realize this has gone on far too long, and they are going to have to just have it out.

But it is more important than this. Because airlines are covered by the Railway Labor Act, we now find ourselves as a country dependent upon whatever the unions do in this matter because they can secondarily boycott according to some interpretations under that Act. If that is so, that means they can boycott other industries and other companies besides the one that is involved here, which is not allowed in any other industry. And that ought to be looked at carefully because I do not see why anybody in the country has to suffer because of difficulties in one industry or one particular company. That is what the whole country is being held hostage to and threatened with.

So I can say this. If there are secondary boycotts all over the country, and if other industries are shut down and other companies are shut down, then we in the Congress ought to grab the bull by the horns and get rid of this secondary boycott thing once and for all, because it is detrimental to everybody in the country and not just Eastern Airlines.

Allow Eastern to resolve its problems within what really is a very credible collective bargaining process, but when it goes beyond that and starts shutting down the rest of America, then I think that is time for us to act to prevent that in the Congress, and we have the power to do that.

So I would call upon my colleagues here to not let that go on too long before we actually do stop it.

The CHAIRMAN. Is there further comment?

[No response.]

The CHAIRMAN. Senator Pell's prepared statement will be inserted in the record at this point.

[The prepared statement of Senator Pell follows:]

STATEMENT BY SENATOR CLAIBORNE PELL

Mr. Chairman, thank you for calling this hearing. I would also like to thank Mrs. Dole for being here today. She has been in office only a short time, but this is already the third time she has appeared before this Committee. I am not certain, but this may be some sort of dubious record for current Cabinet Secretaries.

In any event, I am pleased to be a cosponsor of the Chairman's proposal to raise the minimum wage. I believe this proposal is reasonable and long overdue.

I look forward to hearing the substantive suggestions of our witness and I want her to know that I have arrived here today with an open mind.

The CHAIRMAN. Then we will move on to the minimum wage.

Today the Labor and Human Resources Committee will hear the position of the Bush Administration on the minimum wage. I am delighted to have the distinguished Secretary of Labor, Mrs. Dole, here before us to present those views.

Since last September, when President Bush stated that he favored an increase in the minimum wage, we have awaited the specific proposal he would endorse. We intend to move expeditiously on the legislation. We appreciate the willingness of Secretary Dole to testify today.

Since the minimum wage was last adjusted in 1981 to $3.35 an hour, inflation has increased almost 40 percent. Had $3.35 kept pace with it, it would be over $4.60 today.

Allowing such a drastic erosion has broken the 50-year-old promise we have made to the American worker that the minimum wage should be a living wage; that no full-time worker should be condemned to a lifetime in poverty.

Yet, since Congress last amended the minimum wage law, we have seen a 28-percent increase in the number of full-time workers in poverty to almost 2 million full-time workers.

Last Congress, opponents of an increase in minimum wage claimed that minimum wage workers are "just kids". Examination of the demographics of who would benefit from S. 4, the legislation I introduced with Majority Leader Mitchell and which is cosponsored by every Democrat on the committee reveals that only 26 percent are teenagers. Two-thirds are women. Over 6.5 million are full-time workers, and 3.8 million are heads of households.

Eight years is far too long for these hard-working men and women to go without an increase in the minimum wage and I am pleased this President agrees.

We look forward to the Administration's views. An increase in the minimum wage for the Nation's lowest-paid employees is long overdue, and it is well past time for Congress to act.

Madam Secretary, we want to welcome what I would consider a positive action by this Administration. We faced an Administration over the previous eight years that we were unable to get any movement at all. As you know, under our proposal, we are bringing the minimum wage up to the restoration of the purchasing power of what it would be today. It still has a three-year phase-in, so at the end of even that time, they will have lost some purchasing power as well.

Nonetheless, this has been a more positive initiative than we have had in the past. We obviously have some concerns with different aspects of the proposal, but I want to say I certainly welcome the initiatives that have been made by the Administration, and hopefully we will be able to take some action.

Senator Hatch.

OPENING STATEMENT OF SENATOR HATCH

Senator HATCH. Thank you, Mr. Chairman.

Madam Secretary, welcome to the committee. This is an important hearing; we all know that.

Mr. Chairman, you and I have served together on this committee since I came to the Senate in 1977. Over the last 12 years, we have managed to forge some great political alliances on key legislation in the areas of health, education, science policy and yes, even in the area of labor, on a labor bill or two.

We have also had our battles, of course, the most recent of which was over last year's proposal to increase the minimum wage. Now we are right back here again, debating the same issue, or the same bill, in the 101st Congress. And quite frankly, Mr. Chairman, I feel the same way about this bill as I did last October when we debated this issue on the floor of the Senate.

At best, it was a highly ineffective means of helping the working poor; at worst, it destroys hundreds of thousands of jobs for the unskilled and inexperienced workers of this country, who need these entry-level opportunities.

What kind of help do we give if we raise wages, but eliminate jobs? The economic evidence that indicts this legislation as bad public policy has not been refuted during the intervening five months that have passed since this issue was last before the public. And I am not aware of any compelling new studies by reputable economists that would suddenly cast this proposal in a more favorable light.

But here we are, going full throttle to enact legislation which could eliminate as many as 800,000 jobs.

Now, I know President Bush has been giving this issue considerable attention, and I also know that he intends to propose minimum wage legislation which will deal with these excessive adverse effects. And he has had much help from this Secretary of Labor, for whom I have great respect. My respect is growing daily.

So I want to welcome the Secretary of Labor to the committee this afternoon. I look forward to her testimony. I, for one, am interested in anything we can do to stem the loss of jobs and to provide some meaningful assistance to those who are struggling to get started up on the economic ladder.

I think from reading what the newspaper claims the Administration is going to propose, that it is going to be tough for many people in the Senate to swallow. On the other hand, I want to compliment the Administration for, as it has been stated in the Post this morning, for making a real effort to live up to what President Bush said when he was then Vice President Bush, that he would be for an increase in the minimum wage so long as there is a true training wage attached to it.

Now, if that is what the message is this afternoon—and I believe it is—then I want to compliment this Administration for going the full distance to try and accommodate those who have differing views from mine on this committee, as well as those who agree with me, in trying to bring about a meaningful compromise.

I do hope that in the rush to push this minimum wage bill forward, we will remember that few people in our society can expect to build their paychecks without first building their experience, skills, reputation, and self-esteem.

S. 4 will, without doubt, make getting started and getting ahead every so much more difficult for so many Americans—that is, unless we can arrive at some sort of a compromise that will be satisfactory to both the Administration, the Executive Branch, and the Legislative Branch.

I will be interested in working on that. President Bush has won the election, I support him, and while I know others sincerely disagree with the positions that I have held in the past, there are, of

course, many who agree, too. So we will work and work hard to try and resolve this issue, and I look forward to what you have to say today, Madam Secretary, and I look forward to supporting you as much as I can on these initiatives.

The CHAIRMAN. Senator Metzenbaum.

OPENING STATEMENT OF SENATOR METZENBAUM

Senator METZENBAUM. Madam Secretary, we are pleased to welcome you here. I am sure we will see much of each other during the next four years.

I want to start off by apologizing to you because I am going to have to leave early, but I do have a couple comments before I do leave.

One matter that concerns me particularly with respect to the Administration's proposal has to do with the training wage. I do not believe the figures are right, but that is a matter that one can argue about—more or less whatever the facts may be. I think that they are low.

But what concerns me particularly is this matter of a training wage, but no contemplation of training actually occurring during that six-month period. And furthermore the thing that concerns me probably more than anything is that the six-month period actually contradicts your own Department's estimates of the training needs for lower-skill, minimum wage jobs.

You have a publication out. It is a comprehensive volume called "The Dictionary of Occupational Titles," and it lists every job in the economy including a job description. Qualification as well as training time required are all included in those job descriptions.

According to your own Department's estimates, it takes 30 days or less to "learn the techniques, acquire information and develop the facility needed for average performance" for such jobs as delivery driver, laundry worker, custodian, food service worker—food service worker, I emphasize that—dishwasher, housekeeper, parking lot attendant, mail clerk, and sanitation worker.

Now, if the Administration's and your Department's own book on this subject of job classifications says it only takes 30 days or less to learn how to get all the training necessary to do these jobs, then I have difficulty in understanding how the Department can advocate a six-month training period. And although I will not be here, I would hope that in my absence, my staff would advise me how you reconcile that which appears to me to be a contradiction in terms from your own Department.

I thank you, Madam Secretary, and I thank you, Mr. Chairman.

The CHAIRMAN. Senator Kassebaum.

Senator KASSEBAUM. I have no opening statement, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Mikulski.

OPENING STATEMENT OF SENATOR MIKULSKI

Senator MIKULSKI. Mr. Chairman, I am anxious to hear the Secretary of Labor's report to us. I just want to reiterate the sentiments expressed by you and my colleague from Ohio. I know the

Secretary of Labor is very much interested in providing people with jobs and feels that the best social program is a job.

My concern is that what we are paying people is actually a discouragement to work, and particularly when we do not have the issues. Right now, someone can do better on welfare than they can on a minimum wage job without health insurance. That is not what we want to accomplish in this country. We look forward to hearing your comments on this and how we can be moving our people to a better life.

The CHAIRMAN. Thank you.

Senator Jeffords.

OPENING STATEMENT OF SENATOR JEFFORDS

Senator JEFFORDS. Thank you, Mr. Chairman.

Madam Secretary, it is good to be here with you, and I look forward to working with you as we face these very difficult issues.

I have some problems with both bills, and I will perhaps follow up a little bit on Senator Mikulski's thoughts. If we go back to when the FSLA was started, back to the minimum wage in 1938, the situation was quite different; we had large unemployment and low wages. The basic thrust of the minimum wage was to try and provide many families, if not most families, with a sufficient amount to live on.

We have moved forward, though, and now we are in a totally different situation. It is even different since 1977, when we had the last changes here. Now, we have a relatively high employment; we have a situation where 86 percent of the people who will be affected by minimum wage are not the primary wage earner in the family. Thus I do not think either bill really approaches that very difficult problem.

I know that there are alternative ideas around. Your statement does not talk about options such as a change in the EITC; nor does the bill that we have here. So as I go on, I am going to still try to push to see if we can find another option. I recognize the job loss problems, which you recognize, and the need for training, which has been brought up, and all those things. But it seems to me if we do not have changes in the EITC and a comprehensive approach to child care and to welfare reform as well as the minimum wage, we will not have done the job we should do this year as we go forward.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Harkin.

OPENING STATEMENT OF SENATOR HARKIN

Senator HARKIN. Thank you, Mr. Chairman.

I would like to associate myself with what Senator Jeffords just said. It was right on point.

Madam Secretary, it is good to see you again and to be here. I just want to take a minute or two, because I too have to leave. I just want to say that I am glad to see that the President is recommending an increase in the minimum wage; he said that during the campaign and afterward, and I am glad that he has now sent

up a bill to do that—although the increase is smaller than what I had hoped, I am sure that we will work that out here.

I just want to say regarding the training wage, I am one of those who see that there might be the need for a training wage. I am concerned that there is not in your statement something about the age. Once before, I thought about the youth differential and things like that, but there is no age, and the time limit of six months may be too long, but again, maybe that could be worked out. So I am not closing the door completely on training wages.

I am particularly pleased that included in the President's package is a liberalization of the current tip credit from 40 to 50 percent. This is the same proposal that I have been working on for some time. I brought it up in the committee last year. I said in the committee that I was not going to offer it in the committee, but offer it on the floor, because I could count the votes, and I thought we had the votes on the floor. While I was prepared to offer it on the floor, unfortunately we never got that far last year.

I have introduced the same proposal in bill form this year as S. 167. And I will be offering it again as an amendment this year. I just want you to know that I am pleased to see that you have got it in your package, and I thank you very much for that.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Thurmond.

OPENING STATEMENT OF SENATOR THURMOND

Senator THURMOND. Thank you, Mr. Chairman.

Mr. Chairman, I want to commend you for holding this hearing on the views of the Bush Administration on raising the minimum wage.

Secretary Dole, I would like to welcome you to the committee. This hearing provides an excellent opportunity for the presentation of President Bush's proposal in this area. I am confident that the members of this committee will benefit from what you have to say about this important issue.

Mr. Chairman, while my schedule will not permit me to stay for the entire hearing, I look forward to reviewing the testimony that is presented today.

Thank you very much.

The CHAIRMAN. Thank you very much.

Senator Simon, I want to apologize. I left Senator Simon about an hour and a half ago, chairing our hearing on immigration reform. I apologize to you. That hearing went on until just a little while ago.

OPENING STATEMENT OF SENATOR SIMON

Senator SIMON. I am going to walk out before you do this time, Mr. Chairman.

Let me join in welcoming you here, Madam Secretary. It is good to have you in this position as Secretary.

If I could just take one minute to comment first about the Eastern situation. I called Secretary of Transportation, Sam Skinner, yesterday, and I said I think it would be well worthwhile if the President, because there has been in the last 24 hours some move-

ment, at least a 30-day extension. Let's see if we can get this thing worked out and not tie up transportation in this country. It seems to me that would be in everyone's interest.

On the minimum wage, I think we have to recognize that there are a lot of people who are just really being hurt. Five hundred sixty thousand heads of household in this country earn the minimum wage—5.3 million Americans earn the minimum wage. I think we are getting a little closer to each other, and I hope we can work out a practical compromise that can really give a lift to people who need a lift in our society.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Cochran.

Senator COCHRAN. Mr. Chairman, I have a short statement I would like to be made a part of the record.

The CHAIRMAN. It will be so made.

Senator COCHRAN. I congratulate the Secretary on the this testimony, which I have read. I commend you for putting in the recommendation of a six-month training wage. I think that this is going to do a great deal to alleviate the job loss among young and new employees. This minimum wage increase is going to cause an increase in job loss, anyway, and it needs to be minimized, and the training wage will do that.

Thank you, Mr. Chairman.

[The prepared statement of Senator Cochran follows:]

Thad Cochran

STATEMENT OF THE HONORABLE THAD COCHRAN
HEARING ON S. 4
COMMITTEE ON LABOR AND HUMAN RESOURCES
MARCH 3, 1989

MR. CHAIRMAN, I APPRECIATE YOUR AGREEING TO POSTPONE THE PREVIOUSLY SCHEDULED MARKUP ON S. 4 IN ORDER THAT THE COMMITTEE COULD HEAR FROM SECRETARY DOLE REGARDING THE ADMINISTRATION'S POSITION ON THE ISSUE.

I AM PLEASED THAT THE SECRETARY COULD JOIN US TODAY, AND I LOOK FORWARD TO HEARING HER VIEWS ON S. 4, AS WELL HAS HER THOUGHTS ON THE IMPACT IT MAY HAVE ON EMPLOYMENT. I AM ESPECIALLY INTERESTED IN HEARING ANY PROPOSALS OR VIEWS SHE MAY HAVE ON THE TRAINING WAGE ISSUE.

IN MY VIEW, DISEMPLOYMENT, OR THE LARGE NUMBERS OF LOW SKILLED JOBS THAT MAY BE ELIMINATED OR NOT CREATED IN THE FUTURE AS A RESULT OF TOO LARGE AN INCREASE IN THE MINIMUM WAGE, IS AN AREA THAT DESERVES CLOSER STUDY.

I AM EVEN MORE CONCERNED WITH THE UNEVEN DISTRIBUTION OF THOSE EFFECTS AMONG REGIONS AND STATES, AND I LOOK FORWARD TO HEARING ANY VIEWS THAT THE SECRETARY MAY WISH TO SHARE WITH US REGARDING THEIR IMPACT ON THOSE REGIONS AND STATES THAT HAVE LOWER AVERAGE WAGE RATES, A HIGHER PROPORTION OF LOW SKILLED JOBS, AND IN SOME CASES CONTINUING HIGH UNEMPLOYMENT RATES.

AGAIN, I WANT TO THANK THE CHAIRMAN FOR SCHEDULING THIS HEARING AND THE SECRETARY FOR APPEARING HEAR TODAY TO DISCUSS THIS MOST CONTROVERSIAL ISSUE.

The CHAIRMAN. Senator Adams.

Senator ADAMS. Thank you, Mr. Chairman.

Madam Secretary, it is a pleasure to see you here again. I have two concerns that I hope will be addressed. One is that if we are to have a training wage or some type of split wage section that it only be allowed to be used if it is a training wage. Otherwise, we are going to have a revolving door of the second tier being used to simply lower the minimum wage and do away with what we are trying to accomplish.

The second thing, Mr. Chairman, is something that we mentioned when the minimum wage was up before. Senator Mikulski and I did some work on that. In the meantime we have started a program in the State of Washington that has been favorably commented on by not only the New York papers but throughout the country, which is a basic health plan for minimum wage workers.

What it is—and I will ask in a moment that it be placed in the record and that it be made available to the Secretary—we did not, Mr. Chairman, because we know the sensitivity of the minimum wage issue anyway, go forward with the proposed amendment that so many sense after a year be placed into a fund to buy a basic health plan.

We have these 37 million working people, and one of the problems that was mentioned earlier by one of the other Senators is that if you are at or below the minimum wage, you are better off on welfare if you get Medicaid. If we are going to work people out, one of the factors is health benefits. This is a very basic plan. It does not provide for a lot of things like eyeglasses and other things, but it does protect children, and it does protect families.

Mr. Chairman, I would like to ask unanimous consent that this be included at the end of my statement and made available for members of the committee and to the Secretary.

The CHAIRMAN. Thank you, Senator Adams.

[Information supplied follows:]

Brock Adams
March 3, 1989

FACT SHEET
WASHINGTON BASIC HEALTH PLAN

January 24, 1989

What Is It?

The Washington Basic Health Plan is a landmark demonstration project, designed to provide health care coverage to up to 30,000 uninsured state residents. Eligible persons will pay reduced monthly premiums, based on family size and income, for health care coverage through prominent private-sector providers. The difference between the reduced premium and the cost of the health coverage will be subsidized through state revenues.

Who Is It For?

The Basic Health Plan will be available in selected demonstration areas to people under age 65 who do not qualify for Medicare and who have a gross family income that does not exceed 200 percent of the federal poverty level (currently $23,300 for a family of four). According to recent studies, there are roughly 720,000 uninsured persons under age 65 in Washington State, including 410,000 who meet the Plan's income requirements.

What Benefits Will the Basic Health Plan Provide?

The Plan covers doctors visits, hospital care, lab tests and x-rays, emergency care and ambulance services, and preventive care such as immunizations, routine check-ups, and prenatal care for pregnant women. To keep costs down, the Plan currently does not cover such services as eyeglasses, dental care, mental health treatment, custodial care, and prescription drugs.

How Will the Plan be Administered?

The Washington Basic Health Plan, an independent state government agency, will contract with private managed health care systems to provide the Basic Health benefit package for a set monthly rate. The Basic Health Plan will enroll eligible applicants, collect their premiums, and pay the costs of the program through a mixture of participant premiums and state revenues.

When Will the Plan be Available?

The Basic Health Plan began accepting applications for enrollment in King and Spokane counties on January 3, 1989 and will accept applications for enrollment in Pierce County starting February 1. Detailed proposals have also been submitted for Snohomish, Clallam, and Clark counties. Remaining demonstration sites will be identified and phased in before July 1989.

How Can I Get More Information?

Call the toll-free information hotline at 1-800-826-2444, or write to the Washington Basic Health Plan, 1220 Eastside Street S.E., P.O. Box 9014, Olympia WA 98504.

FACT SHEET
PROBLEMS OF ACCESS TO HEALTH CARE

January 24, 1989

The lack of affordable health care coverage results in a series of interrelated problems -- poorer health for the uninsured person, poor physical and mental development of children who lack basic medical care, higher federal and state government outlays for health care programs, higher medical costs for businesses and insured individuals to offset the cost of care provided to those who cannot pay.

Nationwide

Currently, there are 36.8 million Americans who have no health insurance, an increase from 30 million in 1980.

A staggering 18 million children under age 13 have no access to health care. One out of every four women of childbearing age has no maternity coverage.

A 1986 study by the Robert Wood Johnson Foundation found that millions of uninsured people do not seek medical attention, despite serious symptoms or pain, because they cannot afford to pay. The study found that most insured people sought medical treatment when they had unexplained bleeding or chest pain, while the majority of uninsured people simply ignored similar symptoms.

Uncompensated care – health care provided to patients who could not afford to pay – totalled $13 billion nationwide in 1986. These costs are either absorbed by doctors and hospitals or passed on, in the form of higher prices, to consumers who have medical insurance.

While the level of uncompensated care is sizeable, the traditional sources of free health care for the needy have eroded at the same time that the number of uninsured individuals and families is increasing. Charity care represents only 2.7 percent of current national health care expenditures, a sharp decline from 4.6 percent in 1970.

Washington State

According to a 1986 estimate, there are 720,000 uninsured persons under the age of 65 in Washington, including 410,000 who meet the income criteria of the Basic Health Plan.

Two-thirds of the uninsured population have ties to the workplace – they either work themselves, or they are spouses, children, or other dependents of working adults. Forty-one percent of the uninsured work full-time.

Nearly 40 percent of the uninsured are children, and half are under age twenty-five.

The uninsured in Washington State use health care at a lower rate than people with insurance, with the greatest disparities in health care usage occurring in rural areas and among children.

Federal Poverty Level Guidelines for 1988

Size of Family (adults & children)	100% FPL	200% FPL (Basic Health maximum)
1 person	$ 5,770	$ 11,540
2 people	7,730	15,460
3 people	9,690	19,380
4 people	11,650	23,300
5 people	13,610	27,220
6 people	15,570	31,140
7 people	17,530	35,060
8 people	19,490	38,980
for each add'l person, add:	1,960	3,920

Note: Only those who make 200 percent or less of the Federal Poverty Level for their family size are eligible to apply for Basic Health.

QUESTIONS & ANSWERS ABOUT THE WASHINGTON BASIC HEALTH PLAN

January 24, 1989

Q: WHO CAN APPLY FOR THE WASHINGTON BASIC HEALTH PLAN?

The Washington Basic Health plan is designed to provide health care coverage to uninsured individuals and families.

To qualify for the program, a person must live within a designated service area, must be under 65 years old and not otherwise qualify for Medicare, and must have a gross family income that does not exceed 200 percent of the federal poverty level (currently $23,300 for a family of four).

Q: WHAT KIND OF BENEFITS DOES THE PLAN PROVIDE?

The Washington Basic Health plan covers doctors visits, hospital care, lab tests and x-rays, emergency care and ambulance services, and preventive care such as immunizations, routine check-ups, and prenatal care for pregnant women.

Q: WHAT BENEFITS ARE NOT PROVIDED?

In order to make basic health care affordable to as many uninsured citizens as possible, tough choices had to be made about which services would and would not be covered under the Washington Basic Health plan. As a result, certain services like eyeglasses, dental care, mental health treatment, custodial care, and most prescription drugs are not covered.

Q: IS THE WASHINGTON BASIC HEALTH PLAN JUST FOR POOR PEOPLE AND THE UNEMPLOYED?

Studies show that our state's uninsured population, comprised of 17.4 percent of all state residents, is largely young and employed. Fifty-five percent of the uninsured work either full or part-time. Another 37 percent are children.

The poor receive medical assistance through the state's Medicaid program. The Washington Basic Health Plan is for those who make too much to qualify for Medicaid but cannot afford to purchase private insurance on their own.

Q: IS THE PROGRAM AVAILABLE STATEWIDE, OR JUST IN CERTAIN AREAS?

Currently, the Washington Basic Health plan is a demonstration project, authorized to serve up to 30,000 people in at least five test areas including Pierce, King and Spokane counties. Future demonstration areas are likely to be established in Clallam, Clark and Snohomish counties. If the program is a success, it may be expanded statewide after 1991.

Q: HOW MUCH WILL THE PROGRAM COST THE AVERAGE PARTICIPANT?

Premiums will be based on a sliding scale determined by family size and income. Families with higher incomes, relative to the federal poverty level, will pay a higher proportion of the actual cost of their insurance. The difference between the family premium and the actual cost of insurance will be paid by the state.

A family of four with a gross income of $11,000 falls just below the federal poverty line. Under the sliding scale, assuming both husband and wife were under 40, this family would pay 15 percent of the actual cost of their insurance, or roughly $38 to $45 per month. Without the Basic Health Plan, similar coverage would cost that family about $250-$300 per month.

In addition, the family would pay a small fee, or "copayment," at the time of certain services, such as $5.00 per doctor visit.

Q: HOW MUCH WILL THIS PROGRAM COST THE STATE?

Over the next two years, operating costs of the Washington Basic Health plan will total $49.0 million -- $43.2 million for benefits (including the addition of prescription drug coverage), $2.7 million for administration, and a $3.1 million statutory reserve.

These costs will be partially offset by $6.5 million in anticipated premium revenues. The difference between operating costs and anticipated revenues is reflected in the plan's $42.5 million budget request for the 1990-91 Biennium.

Q: WON'T SOME EMPLOYERS STOP PROVIDING HEALTH INSURANCE IF THE STATE BEGINS PROVIDING LOW-COST HEALTH CARE COVERAGE?

The Washington Basic Health plan will be closely monitoring this area, and will make the Legislature aware of any movement away from employer-provided health plans, which would exacerbate the problem of uninsured families and increase the burden on state revenues.

The CHAIRMAN. I believe that this minimum wage was on the ballot out there in the State of Washington this past November, is that correct?

Senator ADAMS. That is correct. It was on the ballot last time and passed overwhelmingly. It was not a close issue at all. I think the people in our State, Mr. Chairman, recognize that we are not going to have a job loss. There is a shortage in the job market generally where people are working, and this wage must be decent enough that people can get off welfare and live on it. And it passed overwhelmingly.

The CHAIRMAN. I believe it was up in the 70's, actually.

Senator ADAMS. That is correct; over 70 percent.

The CHAIRMAN. And the Senator from Iowa reminds us of this, also.

Senator HARKIN. Yes. The Iowa legislative just passed legislation to increase the minimum wage.

The CHAIRMAN. Madam Secretary, we look forward to hearing from you.

STATEMENT OF HON. ELIZABETH HANFORD DOLE, SECRETARY, U.S. DEPARTMENT OF LABOR, ACCOMPANIED BY MICHAEL BARODY, ASSISTANT SECRETARY FOR POLICY

Secretary DOLE. Thank you very much, Mr. Chairman, Senator Hatch, members of the committee.

I thank you for this opportunity to discuss increasing the minimum wage and to offer the Administration's thoughts and position on proposals to do so.

I would like to introduce—I think most of you know—Assistant Secretary for Policy, Michael Baroody, who is here with me today.

Mr. Chairman, I know we all agree that many of the most important issues facing us in America over the next decade are to come before this committee.

We agree further, I think, that none is more important than this—how can we best provide the levels of literacy and basic skills, improved education and training needed to prepare American workers for the jobs that await them?

So on the proposal before us, let me be clear on the President's position at the outset. First, increasing the minimum wage simply means a certain loss of jobs and job opportunities. The larger the increase, the larger the job loss, so second, any increase must be modest; and third, it must be accompanied by provision for a meaningful training wage for new hires which would offset the disemployment effect, especially for younger workers.

I want to be clear as well about one more thing as this discussion begins. It is our belief that improvements in training and education are the far more urgent challenges in employment policy today. In short, it is our belief that the skills gap is the real problem. And so it is our desire to resolve this perennial debate about the proper floor for wages quickly and move on just as quickly to the pressing challenge of improving skills.

I know you, Mr. Chairman, and your colleagues on this committee agree on the importance of education and training. I hope we can agree on the importance of turning our attention to it while

the 101st Congress is still young. We will soon have the report and recommendations of the JTPA advisory committee, which has been examining among other issues the way we target and deliver training to the economically disadvantaged.

We have an opportunity this year, in addition, to look at vocational education reauthorization and implementation of the new welfare reform legislation—the jobs program. It is very important that these programs and the JTPA be coordinated and that we look at all three together as parts of a coherent approach to skills provision and preparation for work.

In arriving at our position on the minimum wage, we have looked carefully at the current social context and current economic conditions. Since 1982, over 19 million jobs have been created. The proportion of working-age Americans with jobs is higher than ever, at 63.2 percent. During the last seven years, jobs paying over $10 an hour have increased by almost 80 percent, while jobs paying less than $5 an hour have decreased by 30 percent. In just the last 12 months, half the new jobs filled have been in the generally high-skilled, high-paying managerial and professional occupations.

And, as this suggests, jobs which require post-secondary training or education are growing at a much faster rate than those which require no skills.

America's recent record of job creation is a good one. It is a record rooted in growth. It has put millions to work. But we are not Pollyannish about this. There is poverty still, and unemployment—and growth by itself cannot remedy it. But neither, I would add, can a higher minimum wage.

The real remedy, we believe very strongly, in addition to continued growth, is improved education with an emphasis on the basics in language and math, and quality training programs with a particular emphasis on achievement—and we are anxious to move forward on this with you and others in the Congress.

We need to work toward improving programs to help workers, especially young people just entering or about to enter the work force, to acquire the skills they will need to get a job and move up the ladder.

The truth is that growth creates opportunity for those prepared to seize it. Surely, we need as our first priority to continue growth-oriented economic policies; and as our second, we need to ensure that our policies help prepare more people to seize the opportunities that growth creates.

Despite progress over the last seven years, it is still true that youth unemployment at 16.4 percent is three times the overall unemployment rate; and for minority youth, at 34.5 percent, it is twice again as bad. An excessive increase in the minimum wage, or even a more modest increase without a training wage, will only make this problem worse.

There is a consensus on this among economists: a minimum wage increase costs jobs and job opportunities—and that cost is paid primarily by the young, the low-skilled, the disadvantaged. It is not just a theoretical consensus. We have 60 studies at the Department of Labor, from economists across the spectrum, that make this basic point: If labor costs go up, labor utilization goes down. In plain language, that means fewer people are hired.

A simple, meaningful training wage is essential. It is the only really effective way to offset the job loss. The price of learning on the job is often initially a lower wage. Most of us can remember from our own early experience with a new job how much of the basics we had to learn. Not only skills specific to any new job, but basics about showing up on time, taking no more than ten minutes if we had a ten-minute break, showing good faith with coworkers and a good face to customers. Simple things, yes, but not automatic. They have to be learned.

This is the kind of skill training that young people acquire early on that can propel them up the wage scale. Current data support this. Of youth under 25 who started at no more than the minimum wage when this decade began, the vast majority are earning significantly more than the minimum wage now. Most of these, when asked, report their own sense that the skills they learned in those beginning jobs were a help to them in getting better-paying jobs later.

Not incidentally, in the last seven years, while the minimum wage has held constant, the number of teenage black males in the work force has increased by 70 percent, and the overall rate of summer employment for all youth last year set a record.

Without a training wage, we believe these gains are in jeopardy, and without a serious effort to upgrade the quality of education and training, those gains may be over.

Two years ago, the New York Times correctly pointed out that raising the minimum wage risks pricing working poor people out of the job market. "A far better way to help them," wrote the Times, "would be to subsidize their wages or, better yet, help them acquire the skills needed to earn more on their own." The Times went on, and I quote, "It should not surpass our ingenuity or generosity to help some of them without hurting others." I agree, and I want to stress this point.

The fact is that just raising the minimum, without a lower, new-hire differential, will hurt some. Indeed, it will hurt young people particularly. Put differently, raising the minimum wage does not effectively reduce poverty. This committee knows that while the last increase was phased in in the late Seventies, the poverty rate actually started to rise significantly—for the first time in the whole post-World War II era.

We need to recognize that the poverty population and the minimum wage earners are different people, by and large. We need to be clear about what we are trying to do. If we want to help people out of poverty, then we need to look at literacy and basic skills, which are the root to the better-paying jobs our economy is creating. Raising the minimum wage has little relation either to skills provision or to the poverty population.

Seventy-two percent of minimum wage earners today are single. A full-time job at the current minimum puts a single person above the poverty level. Over two-thirds of those on minimum wage are part-time workers. Most of those prefer to be part-time. Further, most minimum wage earners are not just single, but they are young. Almost 60 percent are under 25 years old; indeed, 36 percent are teenagers, almost all of whom live at home with other earners in the family. And they are not in poverty.

The chart right over here illustrates this point. As you can see, the number of minimum wage earners is about 3.9 million—the yellow circle. The number of working-age poor is about 20.5 million; that is the blue circle. The overlap between the two, the total number of heads of poor households working at the minimum wage, is very small—less than 350,000.

True, raising the minimum will raise income for some, if not all, of those in the small, shaded overlap area on the chart. But without a training wage, it will do so at a cost. The cost is to perhaps twice as many people, denying them a job at any wage.

Simply put, the demographics have given us a new, exciting and very real opportunity to make a tremendous impact particularly on youth. As the work force grows more slowly, and the economy continues to grow and create jobs, we will have more new jobs for fewer new workers—a combination that adds up to opportunity. What it means is the possibility of a job for every American able to work.

It means the real promise of productive work and the independence and rewards that go with work. It is really the opportunity to fulfill a dream. Especially, it means that we can keep a promise to our youth, including our minority youth, that if they ready themselves with the skills we know they will need, then there will be jobs waiting for them to fill.

Without such a focused effort on education and training, the real specter arises that we might find ourselves in the 1990s not simply with employed and unemployed, but with employed and unemployables.

Given the facts of disemployment and the adverse effects on youth that an excessive increase in the minimum wage would produce, the President's position is as follows: An increase of about 27 percent over three years, that is, 30 cents a year, to an ultimate $4.25 an hour, and no higher; a meaningful training wage that would apply universally to all new hires, whether or not this is their first job, for six months at the $3.35 level of the current minimum wage; liberalizations of the current tip credit from 40 percent to 50 percent, and small business exemption from $362,000 to $500,000, which should be extended to all businesses, not just retail and service establishments.

The facts as we see them and the concerns they prompt in us compel us to say we could accept this increase only if the training wage we have proposed is added to it. And the facts compel us to say that any more expansive approach at this time would be unacceptable, because it would decrease job opportunities. Legislation outside these parameters would call for a veto. This is as far as the President can go.

Mr. Chairman, I thank you, and I would be pleased now to respond to questions that you might have.

[The prepared statement of Secretary Dole follows:]

STATEMENT OF ELIZABETH HANFORD DOLE
SECRETARY OF LABOR
BEFORE THE
LABOR AND HUMAN RESOURCES COMMITTEE
UNITED STATES SENATE

March 3, 1989

Mr. Chairman, Senator Hatch, members of the Committee, thank you for this opportunity to discuss increasing the minimum wage and to offer the Administration's thoughts and position on proposals to do so.

Mr. Chairman, I know we all agree that many of the most important issues facing us in America over the next decade are to come before this Committee. We agree further, I think, that none is more important than this: how can we best provide the levels of literacy and basic skills, improved education and training, needed to prepare American workers for the jobs that await them?

So on the proposal before us, let me be clear on the President's position at the outset: first, increasing the minimum wage, simply, means a certain loss of jobs and job opportunities. The larger the increase, the larger the job loss, so second, any increase must be modest and third, it must be accompanied by provision for a meaningful training wage for new hires which would offset the disemployment effect, especially for younger workers.

I wish to be clear as well, about one more thing as this discussion begins: it is our belief that improvements in training and education are the far more urgent challenges in employment policy today. In short, it is our belief that the "skills gap" is the real problem. And so it is our desire to resolve this perennial debate about the proper floor for wages quickly, and move on just as quickly to the pressing challenge of improving skills.

I know you, Mr. Chairman and your colleagues on this committee, agree on the importance of education and training. I hope we can agree on the importance of turning our attention to it while this 101st Congress is still young. We will soon have the report and recommendations of the JTPA advisory committee, which has been examining among other issues the way we target and deliver training to the economically disadvantaged. We have an opportunity this year, in addition, to look at Vocational Education re-authorization and implementation of the new welfare reform law -- the jobs program. It is very important that these programs and the JTPA be coordinated and that we look at all three together, as parts of a coherent approach to skills provision and preparation for work.

In arriving at our position on the minimum wage, we have looked carefully at the current social context and current economic conditions:

- Since 1982, over 19 million jobs have been created;
- The proportion of working-age Americans with jobs is higher than ever -- at 63.2 percent;
- During the last 7 years, jobs paying over $10 an hour have increased by almost 80 percent -- while jobs paying less than $5 an hour have decreased by 30 percent;
- In just the last 12 months, half the new jobs filled have been in the generally high skilled, high paying managerial, and professional occupations;
- And, as this suggests, jobs which require post-secondary training or education are growing at a much faster rate than those which require no skills.

America's recent record of job creation is a good one. It is a record rooted in growth. It has put millions to work. But we are not pollyannish about this. There is poverty still, and unemployment -- and growth by itself cannot remedy it. But neither, I would add, can a higher minimum wage.

The real remedy, we believe very strongly, in addition to continued growth, is improved education, with an emphasis on the basics in language and math, and quality training programs with a particular emphasis on achievement -- and we are anxious to move forward on this, with you and others in the Congress. We need to work toward improving programs to help workers, especially young people just entering or about to enter the workforce to acquire the skills they'll need to get a job and move up the ladder.

The truth is that growth creates opportunity for those prepared to seize it. Surely, we need as our first priority, to continue growth-oriented economic policies. And as our second, we need to ensure that our policies help prepare more people to seize the opportunities growth creates.

Despite progress over the last 7 years, it is still true that youth unemployment, at 16.4 percent is 3 times the overall unemployment rate; for minority youth, at 34.5 percent, it is twice again as bad. An excessive increase in the minimum wage, or even a more modest increase <u>without</u> a training wage, will only make this problem worse.

There's a consensus on this among economists: a minimum wage increase costs jobs and job opportunities -- and that cost is paid primarily by the young, the low-skilled, the disadvantaged. It's not just a theoretical consensus. We have 60 studies at the Labor Department, from economists across the spectrum that make this basic point: If labor costs go up, labor utilization goes down. In plain language, that means fewer people are hired. Ask any small business owner.

A simple, meaningful training wage is essential. It's the only really effective way to offset the job loss. The price of learning on the job is often initially a lower wage. Most of us can remember from our own early experience with a new job how much of the basics we had to learn. Not only skills specific to any new job, but basics about showing up on time, taking no more than ten minutes if we had a ten minute break, showing good faith with co-workers and a good face to customers. Simple things, yes, but not automatic. They have to be learned.

This is the kind of skill training that young people acquire early on that can propel them up the wage scale. Current data support this:

- Of youth under 25 who started at no more than the minimum wage when this decade began, the vast majority are earning significantly more than the minimum now.

- Most of these, when asked, report their own sense that the skills they learned in those beginning jobs were a help to them in getting better-paying jobs later on.

Not incidentally, in the last 7 years, while the minimum wage has held constant, the number of teen-age black males in the workforce has increased by seventy percent and the overall rate of summer employment for all youths last year set a record.

Without a training wage, we believe these gains are in jeopardy. And without a serious effort to upgrade the quality of education and training, those gains may be over.

Two years ago, the New York Times correctly pointed out that raising the minimum wage risks pricing working poor people out of the job market. "A far better way to help them," wrote the Times, "would be to subsidize their wages or -- better yet -- help them acquire the skills needed to earn more on their own." The Times went on, "it should not surpass our ingenuity or generosity to help some of them without hurting others." I agree, and want to stress this point.

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The fact is, that just raising the minimum, without a lower, new-hire differential, will hurt some. Indeed, it will hurt young people particularly. Put differently, raising the minimum wage does not effectively reduce poverty. This Committee knows that while the last increase was phased in, in the late 1970s, the poverty rate actually started to rise significantly -- for the first time in the whole post World War II period.

We need to recognize that the poverty population and the minimum wage earners are different people, by and large. We need to be clear about what we are trying to do. If we want to help people out of poverty, then we need to look at literacy and basic skills -- which are the route to the better paying jobs our economy is creating. Raising the minimum wage has little relation either to skills provision, or to the poverty population. Seventy-two percent of minimum wage earners today are single. A full-time job at the current minimum puts a single person above the poverty level. Over two thirds of those on minimum wage are part time workers, most of those prefer to work part time. Further, most minimum wage earners are not just single but young -- almost 60 percent are under 25 years old. Indeed 36 percent are teen-agers, almost all of whom live at home with other earners in the family. And they are not in poverty.

Simply put, the demographics have given us a new, exciting and very real opportunity to make a tremendous impact particularly on youth. As the workforce grows more slowly, and the economy continues to grow and create jobs, we'll have more new jobs for fewer new workers -- a combination that adds up to opportunity. What it means is the possibility of a job for every American able to work.

It means the real promise of productive work, and the independence and rewards that go with work. Especially it means that we can keep a promise to our youth, including our minority youth, that if they ready themselves with the skills we know they'll need, then there will be jobs waiting for them to fill.

Without such a focused effort on education and training, the real specter arises that we might find ourselves in the 1990s not simply with employed and unemployed; but with employed and unemployables.

Given the facts of disemployment, and the adverse effects on youth that an excessive increase in the minimum wage would produce, the President's position is as follows:

-- An increase of about 27 percent over three years, that is, 30 cents a year to an ultimate $4.25 an hour and no higher;

-- A meaningful training wage that would apply universally to all new hires, whether or not this is their first job, for six months at the $3.35 level of the current minimum wage.

-- Liberalizations of the current tip credit (from 40 percent to 50 percent) and small business exemption (from $362,500 to $500,000, which should be extended to all businesses, not just retail and service establishments).

The facts as we see them -- and the concerns they prompt in us -- compel us to say we could accept this increase only if the training wage we have proposed is added to it. And the facts compel us to say that any more expansive approach at this time, would be unacceptable, because it would decrease job opportunities. This is as far as the President can go.

Legislation outside these parameters would be unacceptable

Mr. Chairman, I thank you and would be pleased to respond now to any questions.

The CHAIRMAN. Thank you, Madam Secretary.

I hope you will supply the basis for the lost job opportunities under S. 4. Last year the Wharton model, which is a generally reputable model, estimated a .05 percent increase in the unemployment rate if the wage were increased to $4.65 by 1990. In terms of today's labor market, .05 percent unemployment would be approximately 50,000 to 60,000 jobs.

The study did not formally address the question of jobs not created—that is, the numbers of people who will move off welfare if they get the minimum wage. I hope your study addresses that issue. This study did not, but the Wharton model said 50,000 to 60,000 jobs.

Dr. Adams estimated the effect on employment to be what amounts to .0017 percent of the current labor force. So——

Secretary DOLE. Mr. Chairman, could I respond to that?

The CHAIRMAN. Yes, surely.

Secretary DOLE. First of all let me say that when we talk about the fact that there would be at $4.65 650,000 lost job opportunities, let me just go through for a moment how we get there. Because all job loss statistics, there is a range of estimates, and we have taken the midpoint in the range, and we have selected the midpoint to be very fair because there is that range.

Now, almost all economists agree—and I am again referring to the 60 studies that we have at the Department of Labor—but there seems to be a remarkable agreement among these economists that an increase in minimum wage of 10 percent will mean lost job opportunities of about 100,000 to 200,000 jobs.

So what we are looking at here is the fact that if you are at $4.65, that would be 650,000 lost job opportunities; and then, at $4.25, you are 200,000 fewer lost job opportunities. The training wage then, at six months, would produce an offset in terms of further lost job opportunities of about 170,000. And then, adding the tip credit plus the small business exemption gives you another 60,000. So that is how we present those figures.

I would like to address Professor Adams' point for a minute, because I understand the Wharton School did disassociate themselves from his position because he was using a macroeconomic model, and that a macroeconomic model would not be appropriate to measure the impact of an increase in the minimum wage, the reason being that a macroeconomic model is looking at overall unemployment based on demographics and the business cycle, the GNP, rate of inflation and so on.

It is not possible to zero in on the group that is most impacted by an increase in the minimum wage, which is youth. Teenagers, for example, are 36 percent of the minimum wage population; they are 7 percent of the overall labor market. And there simply was not the capacity, without micro equations, a microeconomic model, to even measure that.

So it is like apples and oranges, really. And as you said, the lost job opportunities were not measured. There was no aggregate figure in terms of lost jobs.

The CHAIRMAN. Well, I do not want to overdo this point, but even BusinessWeek, which is not a ringing liberal journal, indicated that they thought the job loss was too high as well; and CBO points out,

"any attempt to quantify the employment with increase in the minimum wage is subject to a wide margin of error. If anything, such estimates are now even more uncertain than in the past."

So we will all have our statistics, and we will be rattling these around on the floor, I am sure——

Secretary DOLE. We have 60 studies back here, if anybody wants to look at them.

The CHAIRMAN [continuing]. But I think probably the most important study is what has happened in the economy the last six times the minimum wage has gone up. Quite frankly, all you have to do is read the Congressional Record, where we always hear, with all due respect, those who have opposed the minimum wage, give these predictions of gloom and doom, and the past six times it has gone up, that has not been the case. So we will have our day, and we will spend hours down there with different reports and studies trying to justify our actions. But I quite frankly think that the best evidence is what has happened in the past, and we have put that in the record, and we will have a chance to debate that.

Let me go to the issue of—and I will try to keep to a ten-minute time—could we go to how we reach the figure of $4.65. We did not pull these figures out of the air. It is basically, as you understand, to deal with the lost purchasing power of this group. And as I mentioned at the outset, with a three-year phase-in, we will see some lost purchasing power even if we do $4.65. The difference between your figures and ours is about $832 a month. That is almost one month's wages a year. You put heads of household at 360,000—call them 500,000, Senator Simon—I always hear that it does not affect many people. Well, for those 500,000, that is a lot. Those are 500,000 Americans in poverty, wanting to work and make a living wage.

But how did you reach your figures? We reached them for the cost of living. How did you reach yours?

Secretary DOLE. In terms of the $4.25 level?

The CHAIRMAN. Yes.

Secretary DOLE. Well, we felt that considering a modest increase, that this is an appropriate level because for those that you are speaking of there will be some increase; at the same time, there will not be such a large lost job opportunity here with the training wage. And I think clearly, what we were trying to do was to carry out what the President wants in terms of being able to support a modest, reasonable increase, and we feel that is a level that is modest and reasonable, if and only if there is a training wage to provide the job offsets.

This would give at six months about 170,000 job offset. We felt that with the earned income credit and the small business exemption, that is a reasonable position and a reasonable level.

The CHAIRMAN. Well, let me move on here. Since you mentioned the training wage, in your testimony at the time of your confirmation, you stated you hoped that the training wage would address the issues of reading, writing and math skills. This sounded a very positive note in terms of this Senator and, I think, to many others. Now there is no mention of those items.

Secretary DOLE. I think that statement could be read, also, to mean that this is something I feel must be addressed, and most

definitely I do. But frankly, I do not think this is the best way to address it. And I look forward very soon to coming forward and bringing recommendations for the changes in JTPA as well as an entire program which will try to tie the programs together across government, focus them very carefully, provide for goals, provide for performance standards, and do everything in our power with the funds that we have to provide the training, the literacy skills and education that are going to be needed, because I think that is our most effective way to address the problem, Senator Kennedy, that you are trying to get at with the increase in the minimum wage.

What concerns me, if we were to go excessively high on the minimum wage, or if we were to have a modest increase without the training wage, it is ironic because the very people we are trying to help over here by targeting our programs—and last year I think we spent about $2 billion to train 2 million people, and that is money well-spent, and it is important, and we want to do everything to maximize the effect of these programs, and we are spending untold hours and days trying to do that—at the same time, the jobs that would be lost are for the very same people we are trying to help on the other hand. So it is an ironic situation.

The problem that I have is that there is a very small group here who are heads of households in poverty, and the larger poverty population does not receive help on an increase in the minimum wage. There are a lot of people who do receive help that very honestly, I think, are not the right target, because two-thirds of the people on minimum wage are teenagers or young people under the age of 24—36 percent are teenagers—but they are living at home, they are single, two-thirds of them are part-time, and 80 percent of the part-timers want to be part-time, and they are not in poverty.

So it seems to me that this is a blunt instrument, put it that way, and the difficulty is that we may be well costing twice as many people the loss of a job opportunity as we are helping in terms of the increase.

The CHAIRMAN. Just on this point, during the period of the lost job opportunities, what is the DOL's estimate of the future job growth during that period? I think it is about 5.3 million jobs. So we are increasing by 5.3 million the number of jobs during this period, even if we accept your higher number, which I question.

So I think it is important to keep in mind that you are going to have those many jobs that are going to be created during this period of time, even though you indicate that there is going to be lost job opportunity.

We will wrestle with whether this creates it or does not create it. Neither of us are going to be convinced, although I go back to the point about the past history.

In the exchange that we had at the time of your confirmation, we talked about the concept of the training wage. Let me ask you, in looking at Workforce 2000, they talk about skills gap. They define this, as you mentioned, as the lack of reading, writing and math. This is the chairman: "Clearly, there is a lot training ahead, but do you include in your concept of a training wage an upgrade of these skills? I would hope so."

Secretary DOLE. And since that time, I have had an opportunity to spend a great deal of time looking at this and what the impact would be, and I am absolutely convinced that if we are going to have a job offset, we cannot do that in terms of programmatic training, or we will not provide the incentive for the jobs to be created.

So I feel very strongly about that, and that comes through to me loud and clear as I have worked with this area for the last month since I saw you at the confirmation hearing.

The CHAIRMAN. Let me ask on just one other area, and that is with regard to the time. You have a six-month period for the training wage.

Secretary DOLE. Right.

The CHAIRMAN. Your own Department of Labor has estimated in its less-skilled occupations, which are the ones in which about 80, 85, 90 percent of the minimum wage jobs are, they estimate that it only takes 30 days to train people——

Secretary DOLE. In certain categories.

The CHAIRMAN. Yes, well, these are the ones that are at minimum wage—dishwasher, food service, custodian, laundry, laborer, assembler—they are primarily the ones that your own Department indicates are minimum wage jobs, Madam Secretary.

And the GAO study feels that the JTPA is subsidizing, for contracts that last three months or four months, these employers, because it is only 30 days' training for these particular jobs.

Now, if your own Department says 30 days is the maximum in terms of the training that is necessary; the GAO in its review in terms of JTPA says anything beyond that is absolutely unrealistic in terms of actual training, and you do not add any of these additional skills which I think would have certainly extended the time in terms of the math, reading skills and writing skills—which I was hopeful would be included—it might have extended that period to even six months—how do you justify your six-month period?

Secretary DOLE. There are a number of reasons. First of all, preservation of jobs. It most definitely does mean that many more job opportunities will be preserved at six months than at three months. Basically, we are looking at 170,000 versus 88,000.

Specific skills, I think, is probably what is being referred to there, but there is also something called intrinsic skills. And no question about it, that can take a period of time for a person who has, say, never worked before, or a person who has not been in the work force long, to develop habits which they take with them a lifetime, which enable them to go up that wage ladder. That would be things as essential as being at work on time, being at work every day; you cannot choose to be there two days out of five days; understanding——

The CHAIRMAN. On this point, then, I think you make a point as to the first job, but certainly those kinds of skills are not necessary for a person who is 45 years old. If you are talking about the first job, I take your point about being on time, work habits and others; there may be something to that——

Secretary DOLE. All right. Then, let me sort of go through these points and then address that particular one, too.

The CHAIRMAN. All right.

Secretary DOLE. I think that such things as developing an appreciation for working with others, team effort, respect for your supervisor, the way you work with the public and so on, is important.

And I would just use here—because I do want to make this point on the fact that I think intrinsic skills are very real and very important for future opportunities to go up the wage scale—I recall my first job when I was in high school. It was a job at Christmas, and I was working in a jewelry store. In fact, I just sent the man who owns that jewelry store a little gift for his ninetieth birthday in the nursing home, and I thought about this example as I was putting it in the mail.

I was there for a few weeks, and I had to learn things like just basic selling; when somebody comes up and tells you they want this product, and you understand how to work the cash register and all of that. But I am sure that the blouse that he gave me as a Christmas gift was worth far more than what I sold for him during that period, because I did not understand how to sell, how to be aggressive about trying to sell something. You know, I would stand there and wait for somebody to say, "I want to buy this."

But I can remember that, and I think all of us can recall. You do have to develop those basic skills when you are starting out. And I would just say in terms of the first job versus all new-hires, there are a number of reasons for that. One thing, again, is job preservation. You save a lot more jobs, 170,000 versus 40,000 if it is just first hire. Also, it is very important in terms of the employer having the incentive to provide this, because I think that no question—it is quite a burden to have to prove that this is the first job that a person has ever had. And we have provisions at the Department of Labor that are not being used because it is a burdensome procedure, and people are not using them. The student exemption, we have 108,000 slots, and also with the vocational ed, there are about 1,500, that is all, because it is burdensome to use. So that is a consideration, as well as, as I said, the opportunity to preserve a lot more jobs.

The CHAIRMAN. Senator Hatch.

Senator HATCH. Thank you, Senator Kennedy.

I might just point out that the Wharton School of Business estimate that Senator Kennedy was referring to is based on the loss of existing jobs only. And Dr. Gerard Adams, who testified last year before this committee, even he indicated a loss of 200,000 jobs as a result of disemployment. And even that estimate is outside the bounds of the consensus of economists on disemployment. So that has been pretty well discredited as far as this debate is concerned. And I am happy that you pointed out that even the Wharton School has disassociated itself from Dr. Adams' position.

If, as you make the case, we are going to lose jobs by increasing the minimum wage, why increase it? We could still have a training wage, and thus increase jobs on the one side and save the loss of jobs on the other? Why are you going up to $4.25 an hour?

Secretary DOLE. Well, we feel it is a reasonable increase which the President has indicated he would be willing to support. There are people who will receive some benefit from it who are heads of households who are in poverty.

And I want to say that I am as concerned as Senator Kennedy is—I do not think anyone should have to raise a family on the minimum wage. I just want us to look as we go on down the road here at what can be the most effective ways of addressing that.

And most definitely what we have been talking about the last two times I was here is right on target in terms of education and skills training.

Senator HATCH. I think you are also taking into consideration something that we faced on the floor last fall, and that is that there is a majority sentiment to do something about the minimum wage——

Secretary DOLE. Yes, there is, about 80 percent.

Senator HATCH [continuing]. And President Bush then said that he was for an increase in the minimum wage, so he is living up to that particular statement.

Secretary DOLE. That is right.

Senator HATCH. I have to respect that, whether I agree or disagree with it. The way I look at it, you are trying to resolve this in the best way possible between the two extremes of competing interests. I want to commend you for doing that. That is what this business is a lot of; it is a lot of compromise.

Secretary DOLE. And I think, Senator Hatch, that as we go forward, we do need to discuss this publicly in terms of people understanding better all the factors that are involved, because there are other ways, if indeed our target is to help the poorest families, there are more targeted ways of doing that.

Senator HATCH. I would like to have that first chart put up again. We made the point on the floor that, yes, there are about 4 million people on the minimum wage, but only about 336,000—let's round it off at 350,000—who literally are working poor.

Now, a lot of us feel that if we are going to solve that problem, rather than escalate the minimum wage, with the ratcheting effect that it has and the inflationary effect that it has, that what we ought to do is to face that problem directly with perhaps an earned income tax credit which would be refundable. That may be a way to solve that problem.

Now, I understand that that is not the way you have chosen to go here for a variety of reasons, and it may be that there just are not the votes for that at this point.

Secretary DOLE. Let me just say at this point, of course, we are moving forward quickly here with a hearing, and there is going to be a markup next week, and then the following week I understand it will be on the Senate floor.

There has not really been an opportunity to have a thoughtful and careful consideration of that particular provision. But I think there is a lot to say for it, because it is very much targeted to the working poor; everything goes to the working poor. And also, you do not have the lost job opportunities; it does not have the impact on inflation or decreasing the gross national product.

Having said that, it does have an impact on the budget, and we've got a deficit to get under control. It has a large impact. So I for one will be very much interested in looking at that and giving it thoughtful, careful analysis, as well as, of course, the opportunities that we have with skills, job training, and education.

Senator HATCH. There are a number of us who would like you to do that because we think it may be the correct answer to this problem. It is apparent that th rest of those in the yellow circle are not working poor—they are people who would like to make more, perhaps, and they ultimately will if they get a job, and if they work at that job and learn the skills that come from it.

Actually, Madam Secretary, isn't it possible that a longer training wage and applying it to new hires will increase private sector training opportunities, because a longer period would provide greater incentives to devote more attention to specific skills instruction, and it may work hand-in-glove better with JTPA and other training programs to resolve these problems. Wouldn't you say that is true?

Secretary DOLE. Yes, I think so. And I think the longer a person is there, the better the opportunity they have to prove themselves as a loyal, capable employee who would have a better chance to go up the wage ladder.

Senator HATCH. Isn't it true, to get back to that other point, that the number of minimum wage earners has actually declined since the last increase in 1981?

Secretary DOLE. That is right. In fact, it is about half; the number of minimum wage earners is half what it was in 1981.

Senator HATCH. Doesn't this suggest, then, that the vast majority of minimum wage earners move ahead in the labor market rather quickly and are not stuck at the minimum wage for a prolonged period of time?

Secretary DOLE. That is right, that is exactly right.

Senator HATCH. So the minimum wage is a starting salary that most people go on beyond in a rapid or fairly rapid fashion.

Secretary DOLE. And the evidence shows that most do move right out of the minimum wage category, that is right, they are not stuck there.

Senator HATCH. Well, why then should we be concerned about raising it if most workers earn more than the minimum wage, anyway, other than it is an idea that many people would like to foster?

Secretary DOLE. Well, I think basically, as I have said before, there is some help there to the shaded group that we have shown. We need to consider as we look down the road what the other opportunities are that would be targeted.

There is feeling in the country about this now. The President has indicated that he was willing to have that modest increase if and only if there is the training wage to offset those lost job opportunities.

Senator HATCH. Let me just say this. I was very interested in all of your statement, but in particular you stated that, "of youth under 25 who started at no more than minimum wage when this decade began, the vast majority are earning significantly more than the minimum now." We have established that, and that is true, and I do not think anybody can rebut that. "Most of these, when asked, report their own sense that the skills they learned in those beginning obs were of help to them in getting better-paying jobs."

Secretary DOLE. Right.

Senator HATCH. But more importantly, you say this. "Not incidentally, in the last seven years, while the minimum wage has held constant the number of teenage black males in the work force has increased by 70 percent." Now, that is something most people miss—by 70 percent, and the overall rate of summer employment for all youth last year set a record.

I remember back in 1980, 1981 and 1982, when opponents of President Reagan were talking about "Reaganomics"; they referred back to an almost 49 percent black youth unemployment rate—certainly, well over 40 percent—in those late Carter years and early Reagan years. Today, that percentage has come down considerably, and it looks to me like young black people have benefitted greatly from the economics of the past Administration and, hopefully, this future Administration, and that the minimum wage probably has not played much of a role at all, other than because it has been kept constant, they have been able to get more jobs.

Secretary DOLE. Well, last year, for example, I think about 3.7 million new jobs were created in 1988, and minimum wage jobs decreased by about 800,000. So there has definitely been a decline.

Senator HATCH. Just so we all understand it, the President has recommended an increase of about 27 percent over three years. So you have gone better than halfway with the Kennedy proposal.

Secretary DOLE. That is right.

Senator HATCH. That would be 30 cents a year for each of the next three years, up to $4.25 an hour, but you cannot go beyond that. Is that correct?

Secretary DOLE. That is right.

Senator HATCH. You also say that a meaningful training wage would have to be part of this package, it should apply universally to all new hires, regardless of age, although it is acknowledged that the vast majority of people who would be helped by that are young people; wouldn't you agree with that?

Secretary DOLE. Yes.

Senator HATCH. Okay, and whether or not that is their first job. it should be for six months because that will help to offset the total job loss, and that the training wage should be at $3.35 per hour.

Secretary DOLE. Yes.

Senator HATCH. And then you propose liberalization of the current tip credit from 40 percent to 50 percent, with the small business exemption raised up to $500,000, which would be extended to all businesses, not just retail and service establishments.

Secretary DOLE. That is right.

Senator HATCH. And that is your proposal.

Secretary DOLE. Yes.

Senator HATCH. And if I understand you correctly, you say that this is as far as the President can go——

Secretary DOLE. That is right.

Senator HATCH [continuing]. And anything beyond that, or anything reducing that training wage, would lead to a veto.

Secretary DOLE. That is right. The President feels very strong, as he has said many, many times, the only way he can support a modest increase is with the training wage. And the way he has spelled this out is as far as he can go.

Senator HATCH. Let me say this. I certainly have fought increases in the minimum wage, because I know these economics, and I know that it really is not a good way to resolve these problems, especially for these young people who are disadvantaged, undereducated, undertrained, underskilled—it is just not the way to open the gates for them to have jobs and to be able to go on beyond the minimum wage.

I think it is an old idea that literally we ought to cast aside and start looking and searching for better ideas and put our money where our mouths are with regard to the working poor.

Secretary DOLE. I think the bigger question is the skills gap, truly, and that is where we need to turn our attention just as quickly as we can——

Senator HATCH. I agree.

Secretary DOLE [continuing]. And absolutely work together to do something about that. And there are ways we can make a major impact, I am convinced.

Senator HATCH. I agree. I am only going to take just a few more seconds, Mr. Chairman, and I apologize.

Let me just say this. I have been a principal spokesman against these increases. They push the price of everything else up in society so that they take away any benefits that ultimately occur anyway, because of the lost jobs and the effect on minorities and especially minority youth, and women, by the way, who are commonly hurt by increases in the minimum wage.

But I have to tell you that as somebody who has fought these things, I admire the President for trying to do the best he can. He is living in an imperfect world. I am trying to get it to be perfect, maybe, from my point of view. But he is living in an imperfect world, realizing that there are sincere beliefs on Senator Kennedy's side, and there are very sincere beliefs on my side, and he is trying to strike a balance between them and come up with something that may be better than what it is and maybe stop some of the in-fighting that has been going on.

I think whether we agree or disagree with you—and I am going to support you on this—I think you have played a singularly very important role in this process. It is something that has been very difficult for everybody. There are going to be a lot of people upset with this proposal, both ways, on both extreme ends.

Secretary DOLE. Yes, I understand.

Senator HATCH. But if they really look at what you are trying to do, you are trying to resolve conflict and trying to assert leadership early on in this Administration that recognizes the beliefs of those on Senator Kennedy's side of this equation and yet still does not disregard the beliefs of those on my side of the equation.

So I want to commend you for it and just tell you that I appreciate that type of work.

Secretary DOLE. Thank you.

The CHAIRMAN. Senator Kassebaum.

Senator KASSEBAUM. Madam Secretary, I too would like to commend you and President Bush for taking a very constructive approach toward the minimum wage issue.

I would like to explore for just a moment with you the training wage, however. Six months is a long period of time particularly, I

think, to learn some of the skills in the particular job sector where most new hires enter.

I guess what troubles me a bit is that, as I say, for six months, that is a long period of time, and when it says "new hires"—have you given any thought to a person who is a new hire one place and has to leave and takes a job somewhere else—are they counted as a new hire again?

Secretary DOLE. A new hire at a particular firm. And part of this, of course, is the ease with which it can be handled, because it is universal, it is simple, it means that you do not have to go out and prove that this is the first job a person ever had and go back to their home area or whatever and figure out is this the first job ever; it is the first time you have worked at this firm. That is easy to handle. It would not be a disincentive to creating these kinds of job opportunities. But first and foremost is the preservation of jobs, Senator Kassebaum, and there are many more lost job opportunities preserved by going for six months than for a shorter time, or with all hires rather than just first time in the job market.

Senator KASSEBAUM. Did you give any thought to providing safeguards that would assure that new hires would not be in danger of being terminated at the end of their training period, based on job performance? Might there be some who would take advantage of just a turnover where they could just hire new, first-timers?

Secretary DOLE. I think the market, it seems to me, would take care of that. First of all, it is about a 20 percent differential between the minimum wage and the training wage, and I do not think that that is enough savings, really, to justify an untrained work force. And that is before you count in the cost of advertising, the cost of a job search, trying to find people to work for you, the cost of the training. It is a rather small differential for the disruption that it would cause and the cost of search.

It seems to me that as our labor force is going to grow at a much slower pace—one percent, perhaps three-fourths of a percent a year over the next 10 or 12 years—it is going to be very important to compete to get people to work for you in the first place and then to keep them, to keep those who got some experience.

In fact, I see a lot of ads trying to provide incentives for people. There is already that competition, even in the fast food areas. And I really think the market does take care of that situation. There is just not that much of a differential when you discount for the costs of job search and hiring and training.

Senator KASSEBAUM. Well, other than perhaps employees who might want to take advantage, and the supply might be there, there are those, though, who could be held to that, it would seem to me. I mean, there is that potential—perhaps not—but six months is a long time, and if someone has to move from one area of the city to another and change jobs, say, from McDonald's to Wendy's, they start back all over again, then.

Secretary DOLE. It is the first time at that firm. That is for the ease of enforcement, too.

Senator KASSEBAUM. Of course, I am assuming if you go in and speak to experience you have had, an employer could well consider that to be a factor.

Secretary DOLE. Yes. And you know, we are not repealing the market, so to speak. There is no question that if a person is doing well, and they have developed good work habits and all the rest, an employer certainly does not have to keep them at that level. If they are ready for a wage increase after three months, two months, whatever, fine. I think that clearly we are not repealing the market.

Senator KASSEBAUM. When you said that the legislation that you were suggesting was one that the President felt strongly about and that it had to fit these parameters, is there any room to look at any changes on the training wage?

Secretary DOLE. Senator Kassebaum, it is as far as he can go. He feels very strongly that these are the parameters. And because his commitment of a modest increase is tied very definitely to try to make sure that there are not lost job opportunities that are excessive, that is why the six months is so important, and there really is not room to negotiate on that.

Senator KASSEBAUM. Thank ycu.

The CHAIRMAN. Senator Jeffords.

Senator JEFFORDS. Thank you, Mr. Chairman.

First of all, let me get into the argument over job loss. I have looked at a number of studies, and I think certainly we all can agree that no credible report says there will be no job loss.

Also, even the CBO indicates there could be up to as many as 500,000 jobs that would be lost. I think there is also a general agreement that most of these job losses will be with young people, as the trend, indicates with figures ranging up from 280,000 to 640,000 in the teenage group.

We all should be concerned about the job loss, and I think that you have recognized that. I am not going to identify myself totally with your training wage, as apparently Senator Kassebaum will not in that respect, but it is important to recognize.

As I mentioned earlier, though, it is important to keep in mind what the original goal of the minimum wage was, and to try and get households a living wage, and that neither proposal we have before us now will do that at the $4.25 or $4.65 rate. It is my understanding that the $4.25 may, when it is fully implemented, get the two-member family close to the poverty level, and the $4.65 rate might get the three-member family. And I would guess there is an awful lot of the 336 households that would not come close to that.

It is also important to meet the budget argument that if we can get people off of welfare, the savings that would come from the reduced welfare payments and unemployment payments would substantially reduce the cost of the EITC. Here I get down to my main point, and that is the EITC, as Senator Hatch pointed out and others have—and I think Senator Kennedy agrees in concept with that. But what worries me is if neither proposal comes forward with a recommendation in the EITC area we are not going to meet that primary goal of helping the poverty family. I understand your time constraints here today and the program. But I would like to know whether or not you feel yourself, even though you cannot advocate on behalf of the Administration, that the EITC is something that we should give strong consideration to and if there is active consideration of that proposal within the Administration.

Secretary DOLE. Well, I can certainly say that I am going to take a good look at that, a thoughtful look. As I say, the timetable here has not permitted that. But it is targeted to the poor; there are no lost job opportunities, and there are other advantages in terms of not reducing gross national product or increasing inflation. At the same time, there is that budgetary impact, no question about it.

And while I want to take a long look at that, and I think it is a very interesting concept, I also think that we should do everything in our power to really attack this problem of illiteracy and the need for skills training, for mentoring, for counseling, to get young people who feel that "independence" is starting with crack, or getting pregnant at 15, to try to work with these young people in terms of the importance of a job giving you the independence and the self-respect.

There is so much that needs to be done in that area, and coordinating our programs so that there is not wasteful overlap, or sending people in five different directions at the local level. I have been talking with the Governors about that earlier this week. I am convinced that we can really do a great deal in that area, and a lot of it has to do with coordination across the Federal Government, with the reauthorization of the Vocational Education Act coming up this year, tying JTPA into it, tying JTPA into the jobs program, which has so much help for the person on welfare, so much hope for that person, to get skills training and to have the child care help and so on.

So I have to say I think that is where the real action should be. We need to do everything in our power to target and to do the tough things that we have to do. It is not easy to coordinate between departments, and that is very definitely where a high priority will be during my time at the Department of Labor.

Senator JEFFORDS. I am pleased to do that, and I certainly do not disagree with you. I would also point out that one of the fundamental needs in this area is child care, and I would hope in your consideration of the various coordinated programs that you will take a strong look at what we should be doing in the child care area. The Welfare Reform Act will not work and participants will not be able to take skills training or jobs if child care is not available.

Secretary DOLE. Right.

Senator JEFFORDS. Also, I certainly do not disagree with the remedial education part. I would point out there is an anachronism in the law which does not seem to have any basis anymore. Right now, remedial education provided by an employer after a 40-hour week has to be paid for at time and a half. That seems to be something that we ought to take a look at to see whether or not we should be paying time and a half to teach someone to read. There might be some justification if it is a skill that is related to the business, but I would hope that you might take a look at that provision.

Secretary DOLE. I would be happy to do that. That does sound like something that needs to be looked into, and I will be glad to do that.

Senator JEFFORDS. Finally, I look forward to working with you as well as the chairman to see if we hopefully can get to a position where we can all agree on one proposal. I do not know how that is going to come about, but I would hope that it could be done with-

out the necessity of the anguish of vetoes, et cetera, and so I look forward to working with both to see what we can do in that regard.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Just a few points. In looking back on the increases in the minimum wage, in 1949, from 40 cents to 75 cents, unemployment decreased from 5.9 in 1949 to 5.3 in 1950. The 1955 Amendments raised it to $1.00, a 33-percent increase. The Chamber of Commerce testified that low-paid workers who were covered by the law would be barred from jobs; yet unemployment fell from 4.4 to 4.1, and youth unemployment went from 11 to 11.1. In 1961, the minimum went from $1.15 to $1.25; overall unemployment fell from 6.7 to 5.5, and youth unemployment fell from 16.8 to 14.7. The 1966 Amendments, from $1.25 to $1.40; unemployment fell from 3.8 in 1966 to 3.6 in 1968, and youth unemployment fell from 12.8 to 12.7. It goes on.

This is what has happened after previous increases but we welcome whatever studies you have on it. It is fair in terms of the increase in jobs. You have got a study that says by 1992, we are going to increase the number of jobs by 5.3 million, and you have a study that says we are only going to add 4.6 million to the labor force. Well, even if we accept your 600,000, the jobs are going to be out there, and you do not address people who are today on welfare because it pays more in terms of benefit package and who might come into the job market.

I will be glad to hear from you on that.

Senator HATCH. Mr. Chairman, I think——

Secretary DOLE. Go ahead.

The CHAIRMAN. If I could hear from Madam Secretary.

Senator HATCH. Well, she wanted to ask me—those are skilled jobs.

The CHAIRMAN. No, no, no, no.

Secretary DOLE. Well, between January——

The CHAIRMAN. Go ahead, Madam Secretary. If you would address my other point—we will get a chance to debate employment studies—this is a lot more fun than the Tower nomination, I will tell you that.

Secretary DOLE. I am sure he feels that way, too. [Laughter.]

The CHAIRMAN. If you want to give a response to that, either now or later on, I would be glad to hear it, because these are all the figures.

Secretary DOLE. I just want to mention that the amendments of 1977, that was a 26-percent increase in the minimum wage between January 1978 and January 1981, and between January 1978 and December 1981, unemployment increased by 2.8 million and the unemployment rate increased from 6.4 percent to 8.5 percent over the same period.

The CHAIRMAN. And the only decline in employment occurred in 1982, a year when there was no increase in minimum wage, Madam Secretary. So I will give you the history of six different times and the growth in the service industries. And every time, we get the Chamber saying the same thing, and every time they cry like Chicken Little, and it has not happened.

Finally, Madam Secretary, I welcome your comments about the training programs and all the rest. I am just troubled by the fact that President Bush did not request one nickel increase in those programs. I mean, we cannot have it all ways. You cannot say we are going to handle this all over on the other side, because all those black youth in the cities, we are going to give them skills and training—with no increase; hardly a mention of the JTPA program, hardly a mention of any of the youth training program, and no increase in the moneys.

And you do not get any difference, I do not think, in terms of this on a bipartisan effort, as to the value of increased skills and the need for daycare—we might have a difference as to how that is done—and the importance of health care and some difference in the aspects of parental leave. We understand the change in the job market.

But would hope that when we try and do it in one place here, to try and meet—I think, as Senator Jeffords said very well, to provide for a living wage—as far as I am concerned on that chart, if it were just a sliver, if you would add 10,000 Americans who want to work—it is worth that. I do not know why it would not be. They are American citizens, and they should have a living wage.

You say that, well, we cannot do it here, because what we really need are all these skills over here, and yet we do not get the support to increase training programs, at least to the extent that money is a reflection of priorities.

Secretary DOLE. Let me just say that in terms of helping, no matter how small it is, I share with you the concern for people who are trying to raise a family on that level——

The CHAIRMAN. Yes. I do not question your commitment.

Secretary DOLE [continuing]. But this whole yellow area is pretty much young people who, as I understand it, two-thirds of them are single, two-thirds of them are people who are part-time, and 80 percent of them want to be part-time, and they are living at home, and they are not in poverty. So I think it is sort of a scatter-gun approach which needs to be more carefully focused.

The CHAIRMAN. It is important point, and we will be wrestling with it. From 1978 to 1988, the number of full-time workers living in poverty has increased by 43 percent. The number of people who are working—and that is the wage floor, basically—has been frozen. Now, we can say, well, a certain percent are teen, and they are part-time, and they like to work part-time, and so on.

You know, Madam Secretary—and I will end with this—the President requested a 50-percent increase for the members of Congress, a 50-percent increase for members of Congress, cost of living for Social Security, 30 million Americans. I am for it. Cost of living increase for the military, 4 percent, in excess of 2 million. I am for it. Cost of living for Federal employees. I am for it. But not a cost of living for men and women in this country who are at the lowest rung of the ladder, because of what? Economic impact?

I think that that is—I just do not see how you respond to American workers on that. A 50 percent increase for Members of Congress, the same President—and I admired it and was one of the few who voted for it, and I think in terms of scientists and Members of Congress, they ought to get it. But I do, with equal consistency and

stronger passion, feel that those who are at the lowest end ought to be able to get it, too.

And how do we say to any of those people, when we say we are going to vote for these increases—we have been voting for them for every year, for seniors and for everybody else—except people at the lowest run of the ladder?

Secretary DOLE. Senator Kennedy, we are saying that there should be an increase to $4.25, and I do not think that either growth or going to $4.65 is going to solve those problems of the families in poverty. And I do think it leads us back to talking about skills and job training. And I am going to do everything in my power to take what we have available and make it as effective and as efficient as it can possibly be made.

I really look forward to working with you on that, and I think that is an area where we will not have to debate numbers. We will have some ideas for you soon with JTPA amendments and other initiatives that I hope will be something the committee can approve unanimously, and we can go forward together.

The CHAIRMAN. A final point. I hope I was not hearing that anything, in terms of total increase, above the Administration, is going to get a veto. Then we are setting right up for a confrontation, and maybe that is where it is going to end up.

But I welcomed your presentation. We have made very substantial progress, I think—it does not go as far as we would like to go, obviously, but we are going to try, hopefully, to work this out; we may work it out in a satisfactory way. I am terribly interested in trying to do so. There are too many people who, if we do not work it out, are not going to benefit. But I hope we are not getting, "Take it or leave it" as an opener—maybe we are, but——

Secretary DOLE. Senator Kennedy, this is as far as the President can go.

The CHAIRMAN. Yes, well——

Secretary DOLE. He will sign up to $4.25, but not higher than $4.25.

The CHAIRMAN. Okay. I want to make it very clear I am going to do everything I possibly can to get it raised higher, and we will have to let the chips fall where they may on that. But I appreciate your presence here, and we will have to see where the votes are. But I do not want to leave any doubt about where I am, and I understand very well where you are.

Secretary DOLE. And I would just say that if there were a significant change in the economy, we would have to consider whether that is the appropriate level. But $4.25 is it.

Senator HATCH. Well, let me say this. I do not know why my good counterpart here is so upset, because last year, we had no increase, and it stayed at $3.35. I think a pretty good case was made, as you have made here, that increases in the minimum wage are not beneficial. So it is the wrong approach to be talking about regarding how we are going to get people to a living wage. The working poor are a small percentage of those affected by an increase. That is a problem we ought to solve. But the question is whether you do it by continuing to increase the minimum wage.

I remember the screaming and shouting about how the Reagan-Bush program was not going to work for young black males and

minorities. And yet if you look at the Bureau of Labor Statistics, it shows that with every increase in the minimum wage, black male employment went down. In 1955, it was an index of 1.00. When the minimum went to $1.00 an hour, the index went to .96, and it goes right on down to where it is $2.30 an hour on this chart, up to 1976, and it is down to .57. It was almost halved. That is for ages 16 and 17. It drops in 1954 from 1.11 for black males 18 to 19 years of age down to .77, and between the ages of 20 and 24, 1.05 down to .91. Every time the minimum wage goes up, young black people take it on the chin. And that has been the case for years. Yet we keep arguing this fiction that this is going to benefit those on the lower scale.

The fact of the matter is it forecloses them from having opportunities to work. When are we going to wise up and realize that?

I have to confess, I do not think the minimum wage serves an efficacious purpose, according to the economics, the statistics, and almost everything else. And to argue that it is going to get people a living wage is a false argument, too. But it is something we live with in our society, and it is something that widescale public belief supports, because they do not have all these facts.

You have to deal with reality, and you have done the best you can. You have come in here; you are increasing the minimum wage 90 cents an hour. Senator Kennedy's approach would be $1.30 an hour. But you have gone almost three-quarters of what he proposes. You are saying that rather than haggle about it, rather than come in at $4.00 over three years, rather than $4.10, which you had arguments to do, or nothing—and I know you had arguments to do that within the Administration—you have taken a principled position and said this is what we think is a reasonable way to solve this problem as long as there is a training wage. Now, that is principled.

I cannot fight that, even though I do not agree that the minimum wage really serves a good purpose. I think it really is a detrimental thing in our society.

So, to make a long story short, I just want to compliment you for being willing to try to accommodate the interests up here. And I think, Ted, you and I ought to do what we can to see what can be done here to bring everybody together if we can. But I cannot blame the Administration for drawing the line and saying we'll go up to $4.25 an hour, but we cannot go over that, because we are trying to bring everybody together.

Well, I want to thank you for appearing. I think your testimony has been very, very cogent, it has been precise, and it has been to the point. And I think you have added to the debate rather than detracted from it.

The CHAIRMAN. Orrin, do you think those fifth through eight graders are going to profit much from seeing this hearing today? I mentioned just before Madam Secretary, they were filming for educational purposes and they took this hearing as a study.

But one thing that they ought to understand is the degree of civility that goes on—most of the time.

Senator HATCH. Let's not limit it to fifth to eight grade. Nobody is going to profit much from this except for your testimony.

The CHAIRMAN. On that note of agreement, we want to thank you very much, Madam Secretary. You can hear the tenor of the argument already. We appreciate the special effort you have made to join with us today. We thank you very much.

[Whereupon, at 2:45 p.m., the committee was adjourned.]

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